

Message Text

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ACTION XMB-07

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FM AMEMBASSY GEORGETOWN

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E.O. 11652: N/A DECONTROL ON RECEIPT

TAGS: ETRD, BEXP, GY

SUBJECT: PARSONS AND WHITEMORE COMPLETE PULP MILL FEASIBILITY STUDY

REF: GEORGETOWN 1191 OF 8/10/73

1. PARSONS AND WHITEMORE VICE PRESIDENTS CARL C. LANDEGGER AND RAYMOND STEPELAERE ADVISED EMBASSY THAT COMPANY HAS COMPLETED FEASIBILITY STUDY ON PULP MILL OPERATION IN GUYANA, AND PRESENTED FINDINGS TO GOG. PLAN ENVISAGES PULP MILL WITH 700 SHORT TONS PER DAY CAPACITY, AS WELL AS PRODUCTION OF 7-10 MILLION BOARD FEET OF LUMBER PER YEAR. TOTAL COST OF CONSTRUCTION ESTIMATED AT DOLS. 175 MILLION (US) WITH DOLS 90 MILLION OF THIS IN EQUIPMENT. PLANT WOULD EMPLOY 150 EXPATRIATES INITIALLY DURING CONSTRUCTION AND EARLY OPERATION, WITH 1200 TO 1500 LOCAL PERSONNEL.

2. EMBASSY REPORTED THIS POTENTIAL FOR LARGE US EXPORTS EARLIER (REFTEL) AND URGED COMMERCE ACTION WITH PARSONS NEW YORK OFFICE. VP LANDEGGER NOTED THAT AS OF NOW UK AND TO LESSER EXTENT CANADA WILL PROBABLY GET EQUIPMENT CONTRACTS, SINCE HMG HAS OFFERED FINANCING TIED TO BRITISH EQUIPMENT PURCHASES. WHEN ASKED WHAT WAS IN IT FOR US SUPPLIERS LANDEGGER STATED NOT MUCH UNLESS UN FINANCING IS FORTHCOMING. HE SAID COMPANY HAS NOT RPT NOT APPROACHED EXIMBANK, NOR HAS EXIM OR OTHERS IN US CONTACTED PARSONS. HE ADDED THAT PARSONS WOULD PREFER TO OBTAIN ITS EQUIPMENT AND SUPPLIES FROM ITS US AFFILIATES (PARSONS HAS FOUR OR FIVE PLANTS IN US) BECAUSE

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BRITISH LEAD TIME IS SO LONG. EMBOFF NOTED THAT WHILE HE COULD

NOT SPEAK FOR EXIM, BANK HAS OFT-STATED POLICY OF NOT RPT NOT ALLOWING EXPORT SALES TO BE LOST DUE TO FINANCING IF POTENTIAL CLIENT WOULD OTHERWISE BUY FROM US, AND THAT EMBASSY WOULD MAKE ABSOLUTELY CERTAIN THAT EXIM AND COMMERCE WERE AWARE OF POTENTIAL OPPORTUNITY, INDEED PREFERENCE FOR US EXPORT.

3. COMMENT: VP LANDEGGER SCHEDULED SEE PM BURNHAM TODAY (MAY 16) TO GET FINAL GO-AHEAD FOR SEEKING FINANCING. CRUCIAL FACTOR IS PARSONS INSISTENCE ON MANAGEMENT CONTRACT. PARSONS WILLING TO GIVE GOG 80 PERCENT MAJORITY EQUITY AND CONTROL OF BOARD OF DIRECTORS, BUT WILL NOT RPT NOT GIVE IN ON MANAGEMENT OF PLANT. EMBASSY BELIEVES

THAT IF BURNHAM AGREES TO THESE TERMS, THE PULP MILL PROJECT WILL GO FORWARD, DELAYED ONLY BY TIME IT TAKES TO ARRANGE FINANCING. UNLESS EXIMBANK FEELS GUYANA IS TOO POOR A RISK, BELIEVE BANK REP SHOULD CONTACT VP LANDEGGER IN NEW YORK, REFER TO HIS CONVERSATION WITH EMBASSY ECON/COMMERCIAL OFFICER, AND FIND OUT IF LANDEGGER WAS ON THE LEVEL ABOUT HIS WILLINGNESS TO BUY FROM US WITH EXIM BACKING. GOG, OF COURSE, WILL PLAY KEY ROLE IN GUARANTEEING PULP MILL LOANS. KREBS

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